



SMALL & MEDIUM ENTERPRISE SENTIMENT TRACKER

Wave 56 – October 2023





The proportion of SMEs reporting a profit has increased for the third month in a row, with 56% now recording a profit



78% have passed rising costs onto customers



However, 89% are now concerned about rising interest rates



37% do not believe they would withstand a possible recession

SME outlook still positive, but rising interest rates temper optimism

The October data presents a positive picture for SMEs, with profitability and expected revenue continuing to grow. Winter blues have been left behind and 27% now report a higher monthly revenue compared to 12 months ago. The Fifth Quadrant Business Confidence Index also remains high at 101.

However, in October SMEs were braced for rising interest rates and the RBA decision in early November to lift rates has cooled their optimism. Almost 9 in 10 SMEs are concerned about rising interest rates and concern over fuel and energy costs has increased accordingly. This is reflected in dampened expectations for both the Australian and Global economies. 56% now expect the Australian economy to weaken over the next three months.

This caution has resulted in a slowdown in recruitment with only 20% now advertising vacancies. Even so, filling roles is still proving difficult for SMEs that choose to do so.

Concerns over rising costs has resulted in fewer SMEs feeling prepared to withstand a possible recession over the next 12 months, with those in the retail and hospitality especially worried. The proportion who feel unable to meet their loan repayments has also increased.

In summary, the October results continue the positive trend in SME confidence with growing revenues and profitability. SMEs have been more positive since August, but rising interest rates and high fuel and energy costs remain significant areas for concern. As we enter the Christmas trading period it will be interesting to see if sentiment holds up as many consumers adjust their budgets to accommodate the latest interest rate rise.



Too often, we see businesses confusing data with insights.

Numbers don't answer business questions by themselves, but they still feel tangible.

We believe you need to go further.

Our people layer their understanding of the underlying business environment, context and market on top of primary or secondary data, using their expertise to discover insights that unlock tomorrow's opportunities, today.

This is Fifth Quadrant.



01 Key Performance Indicators

02 Business Sentiment

03 People

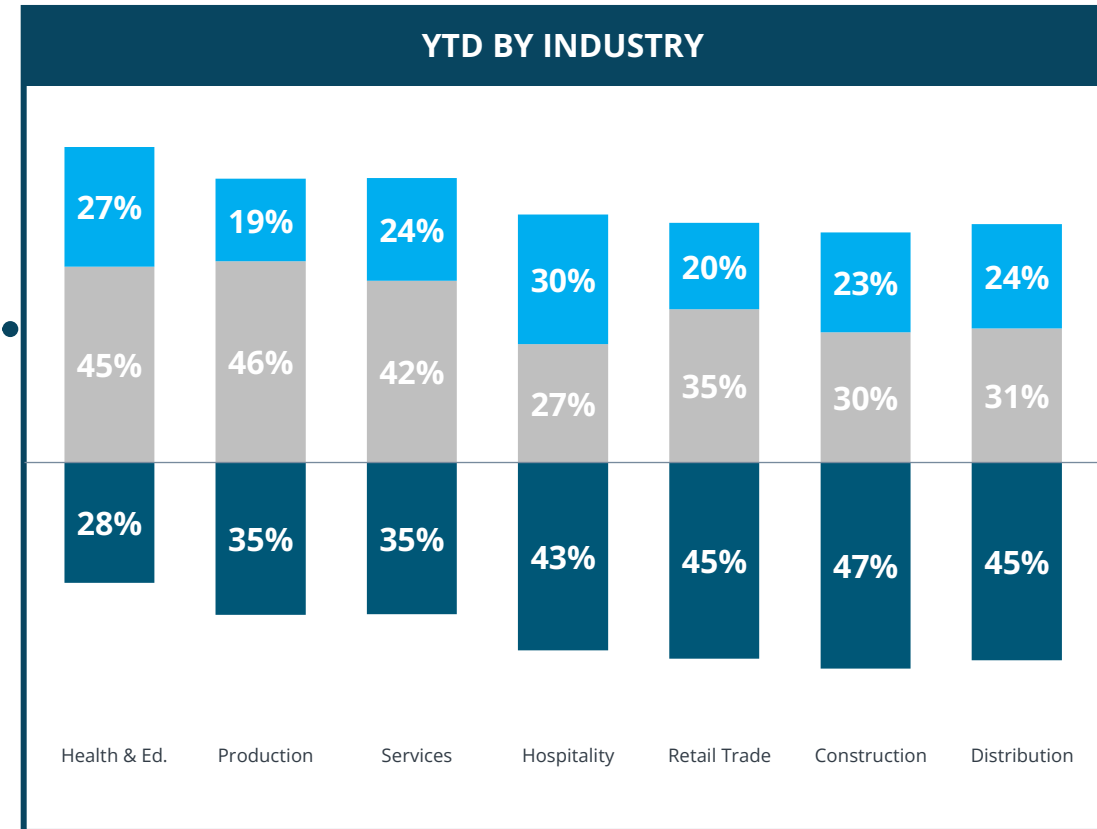
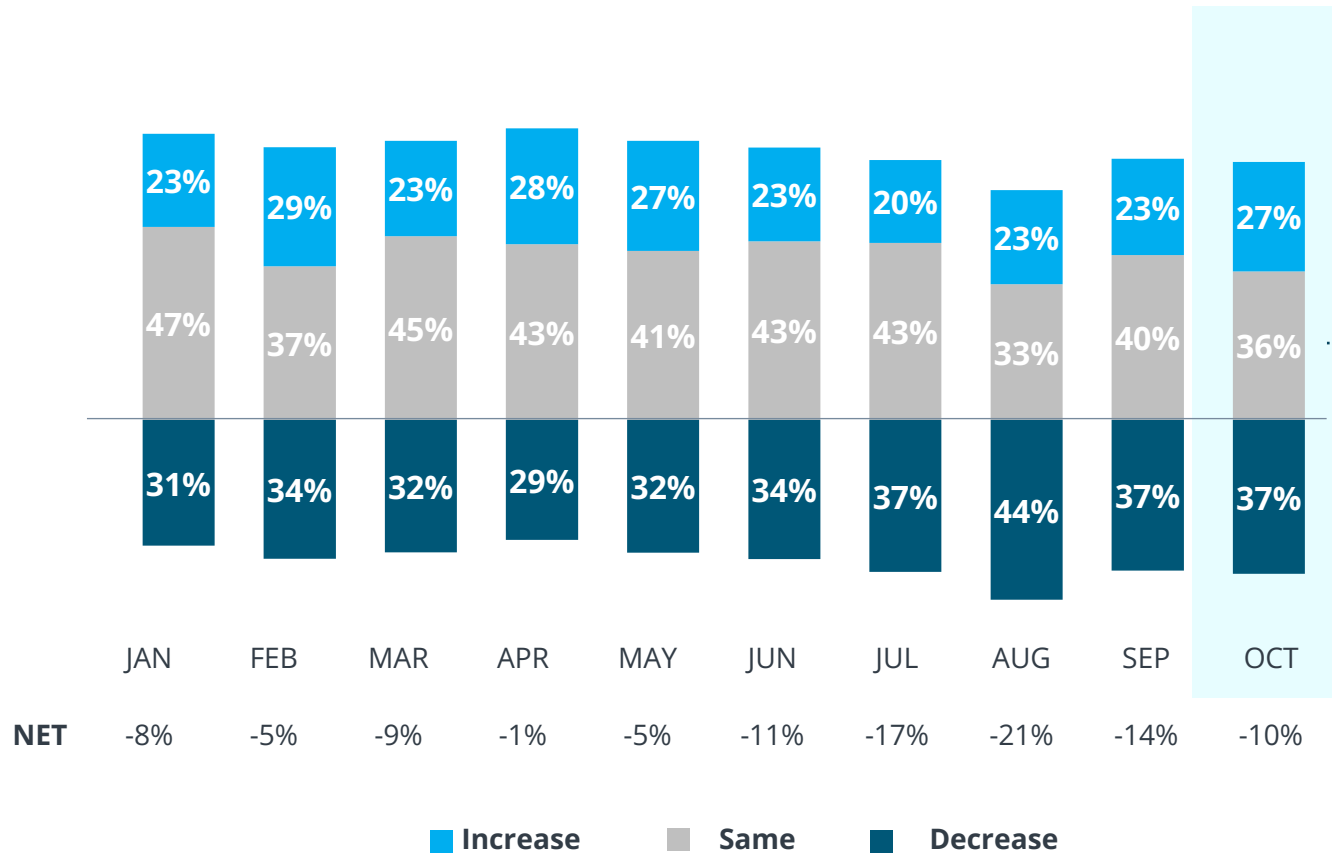
04 Business Investment

05 Methodology & Sample

Key Performance Indicators | Revenue

Revenue continues to trend upwards, with a higher proportion reporting an increase in October than in the previous five months.

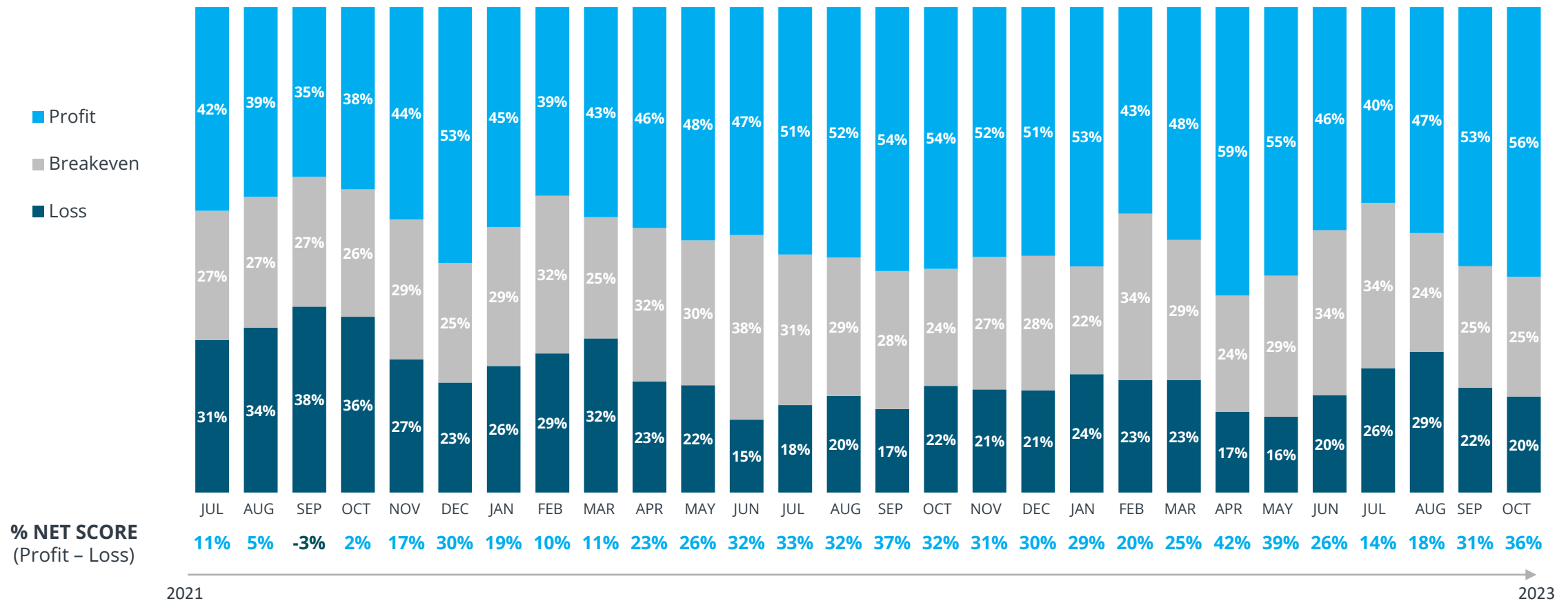
HOW DOES YOUR CURRENT MONTHLY REVENUE COMPARE TO YOUR MONTHLY REVENUE 12 MONTHS AGO?



Key Performance Indicators | Profit

Similarly, profitability has increased in October. This rebound in profitability from some difficult winter months has shaped SME sentiment this month.

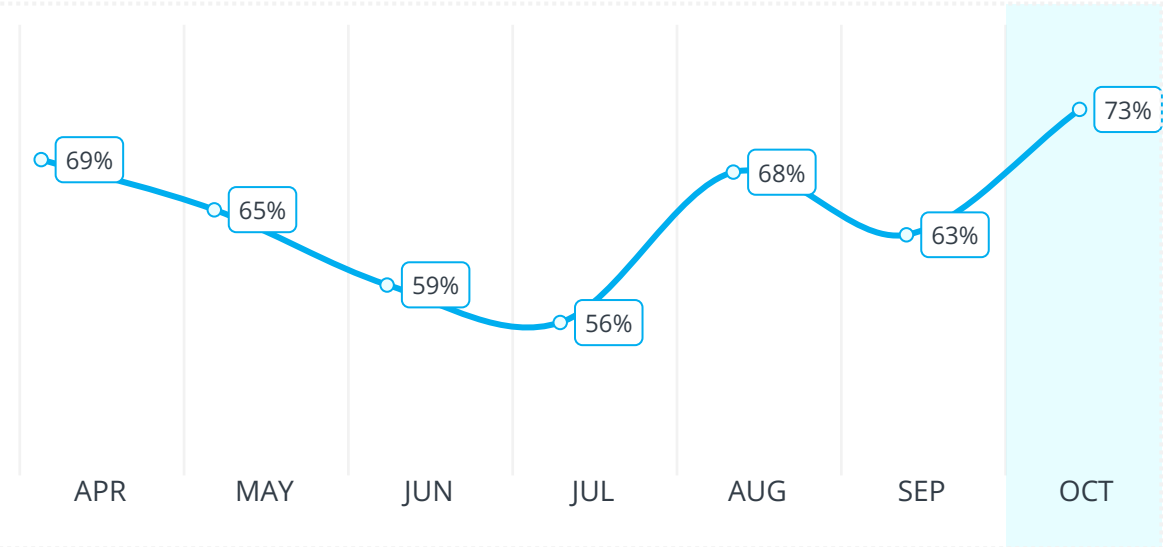
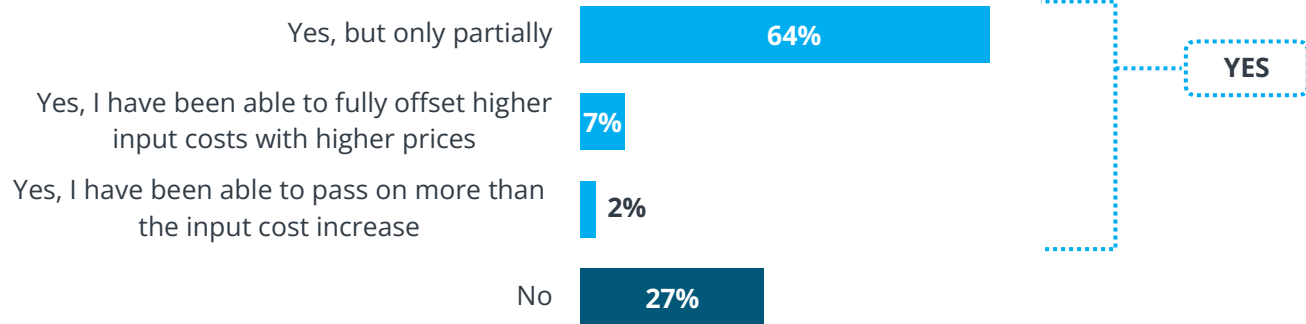
WHAT WAS YOUR PROFIT MARGIN LAST MONTH (SEPTEMBER)?



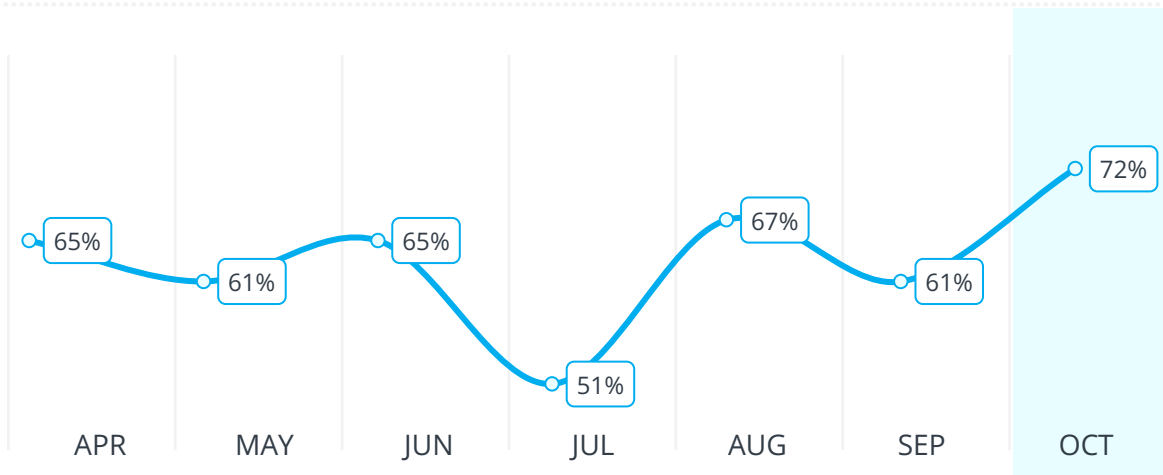
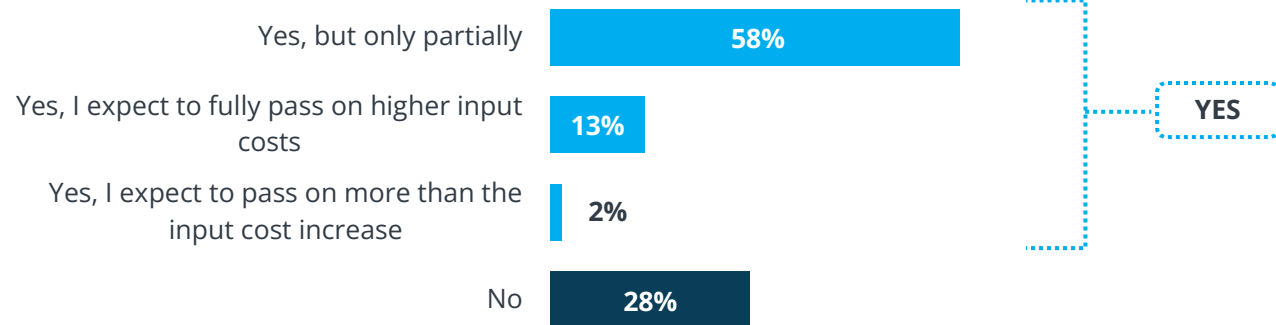
Key Performance Indicators | Cost Recovery

Cost recovery increased substantially in October to the highest levels recorded. These results show SMEs are managing higher input costs better than previously, with customers bearing more of the burden.

HAVE YOU BEEN ABLE TO PASS ON HIGHER INPUT COSTS TO YOUR CUSTOMERS?



DO YOU EXPECT TO BE ABLE TO PASS ON/CONTINUE TO PASS ON HIGHER INPUT COSTS TO CUSTOMERS IN THE NEXT 6 MONTHS?

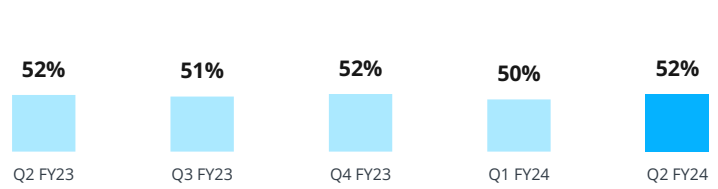


Key Performance Indicators | Business Concerns

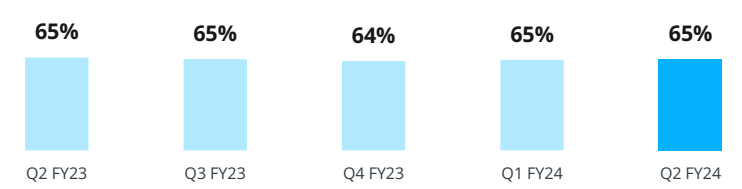
However, despite growing profitability business concerns have increased since September, especially regarding fuel and energy costs. SMEs in October were rightly anticipating a further RBA rate increase, demonstrated in extremely high concern with rising interest rates.

HOW CONCERNED ARE YOU ABOUT THE IMPACT OF THE FOLLOWING ISSUES ON YOUR BUSINESS?

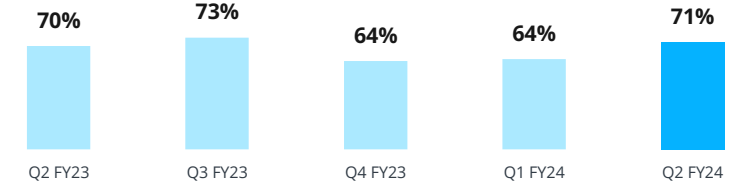
Staff or skill shortages



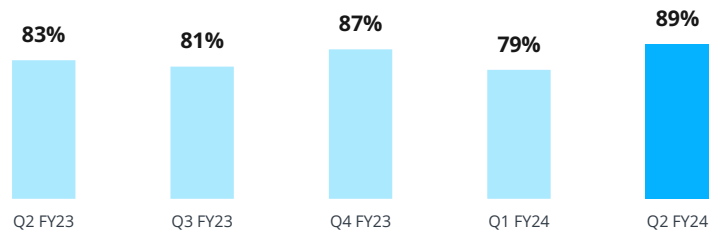
Increasing wage costs



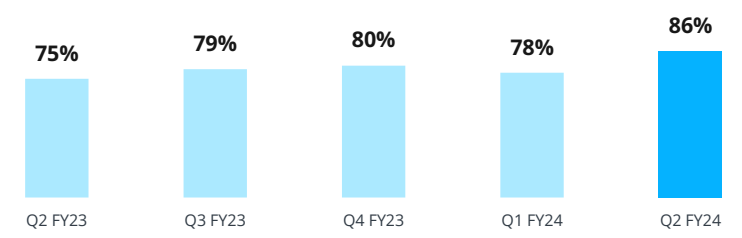
Supply chain delays and associated costs increase



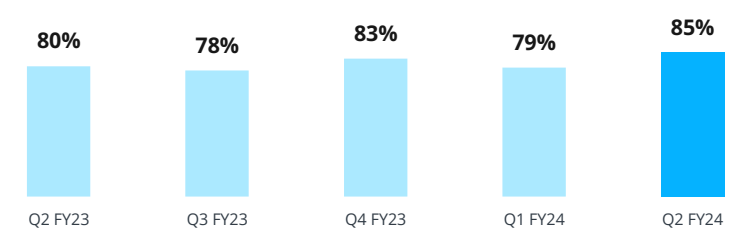
Rising interest rates



Increasing fuel costs



Increasing energy costs



Total concerned



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Key Performance Indicators

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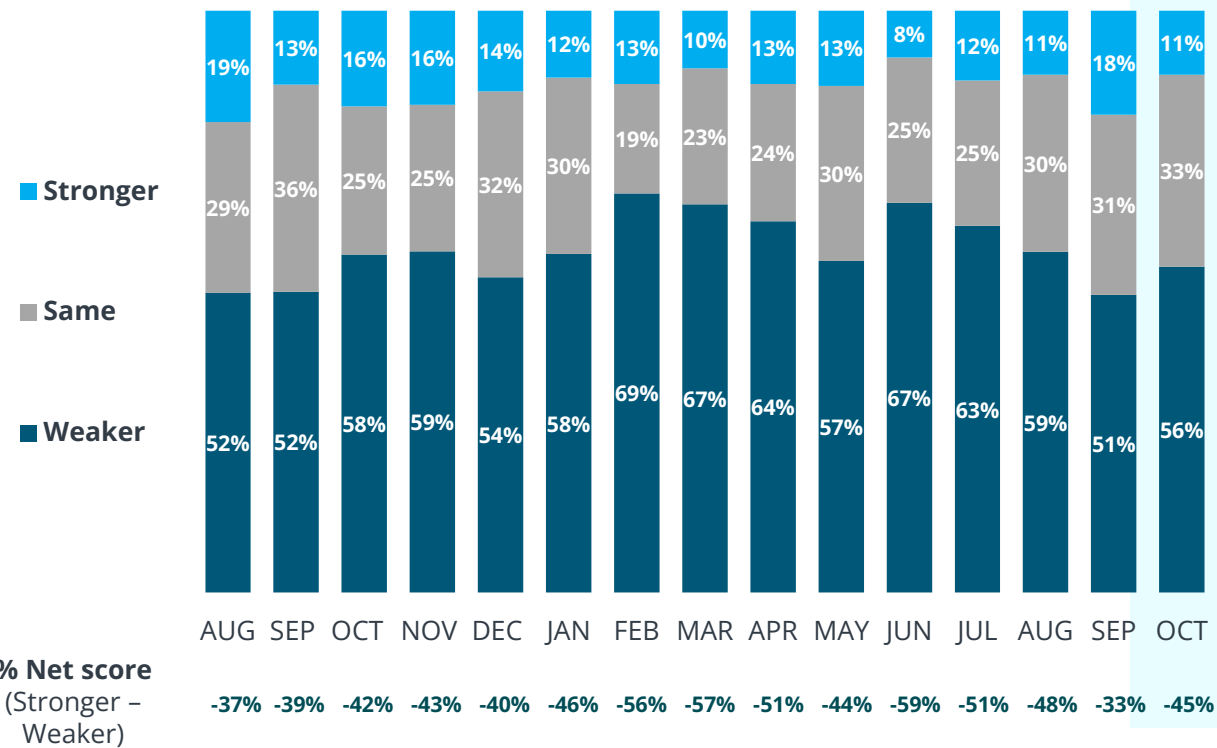
Methodology & Sample

Business Sentiment | Expectations Regarding Economic Conditions (Next 3 months)

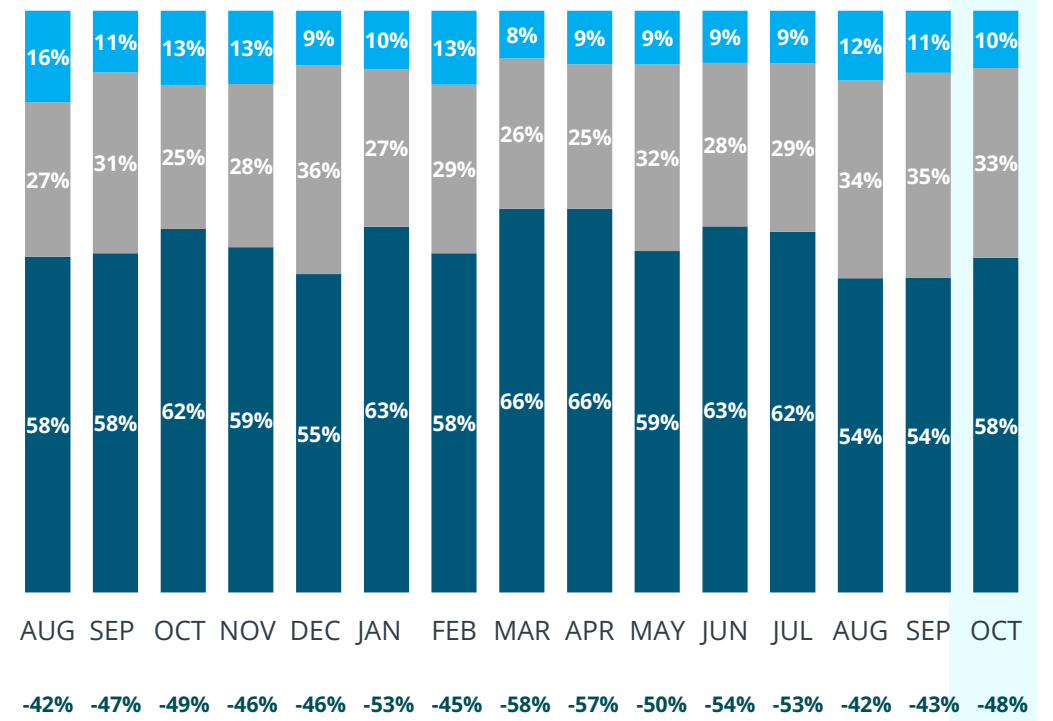
Confidence in the Australian economy was rising, but concerns about interest rate increases are reflected in increased pessimism in October with a majority expecting both the Australian and Global economies to weaken in the next 3 months.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING ECONOMIC CONDITIONS

AUSTRALIAN ECONOMY



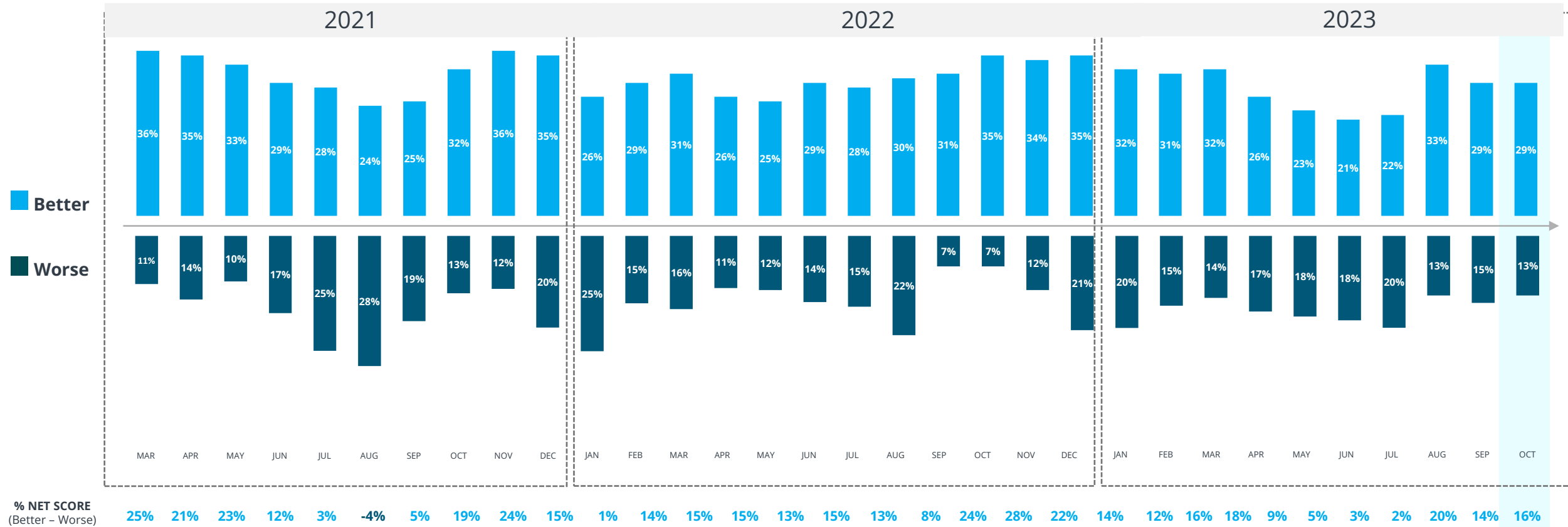
GLOBAL ECONOMY



Key Performance Indicators | Revenue Expectations (Next 4 weeks)

Nevertheless, revenue expectations remain in line with September and higher than in the winter months. Despite the challenges, SMEs are broadly positive about their short-term revenue stream.

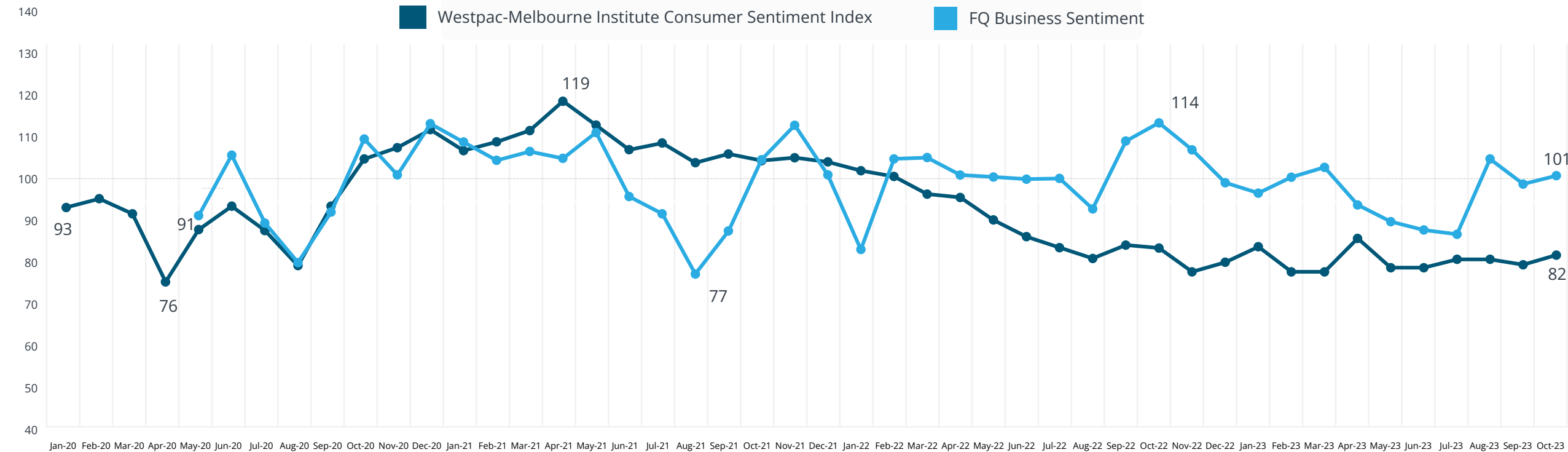
WHERE DO YOU EXPECT YOUR REVENUE TO BE IN 4 WEEKS COMPARED TO TODAY?



Business Sentiment | Sentiment 2020-2023

Both the Fifth Quadrant Business Sentiment Index and the Consumer Sentiment Index ticked slightly upwards in October, reflecting a more positive business outlook.

BUSINESS AND CONSUMER SENTIMENT



March 2020: First lockdowns

August 2020: Victoria announces new lockdown measures

February 2021: First COVID-19 vaccine doses administered in Australia

June 2021: Sydney announces new lockdown measures

October 2021: Sydney & Melbourne released from lockdowns

January 2022: Reported daily case numbers increase 10x in the space of a month

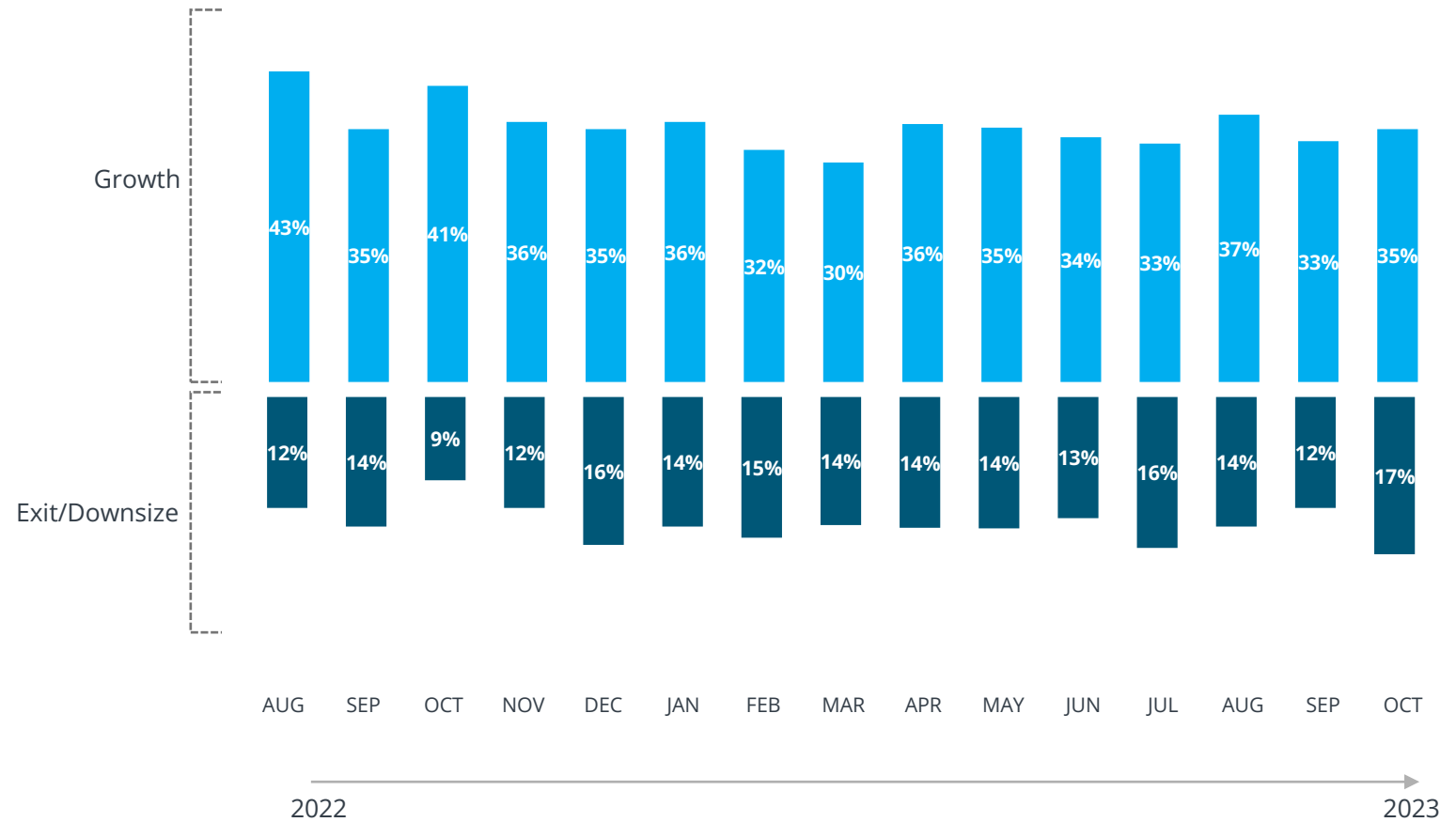
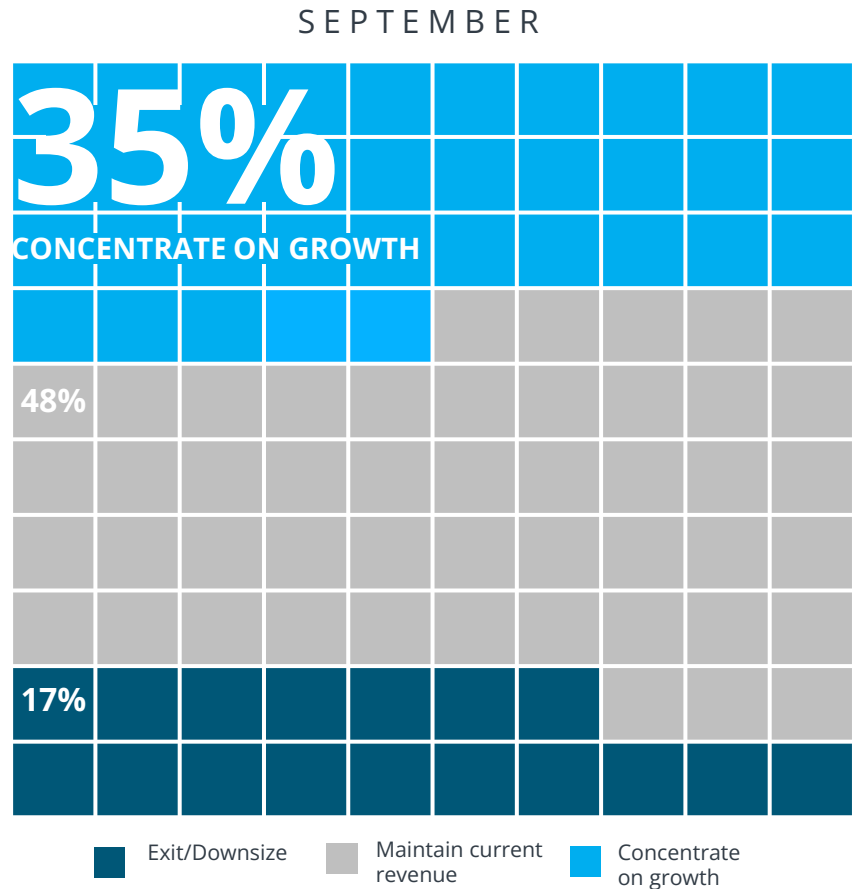
May 2022: RBA increases cash rate target by 25 basis points, the beginning of 10 straight increases

July 2023: RBA pauses interest rate increases for the first time since April 2023

Key Performance Indicators | Growth Expectations (Next 12 months)

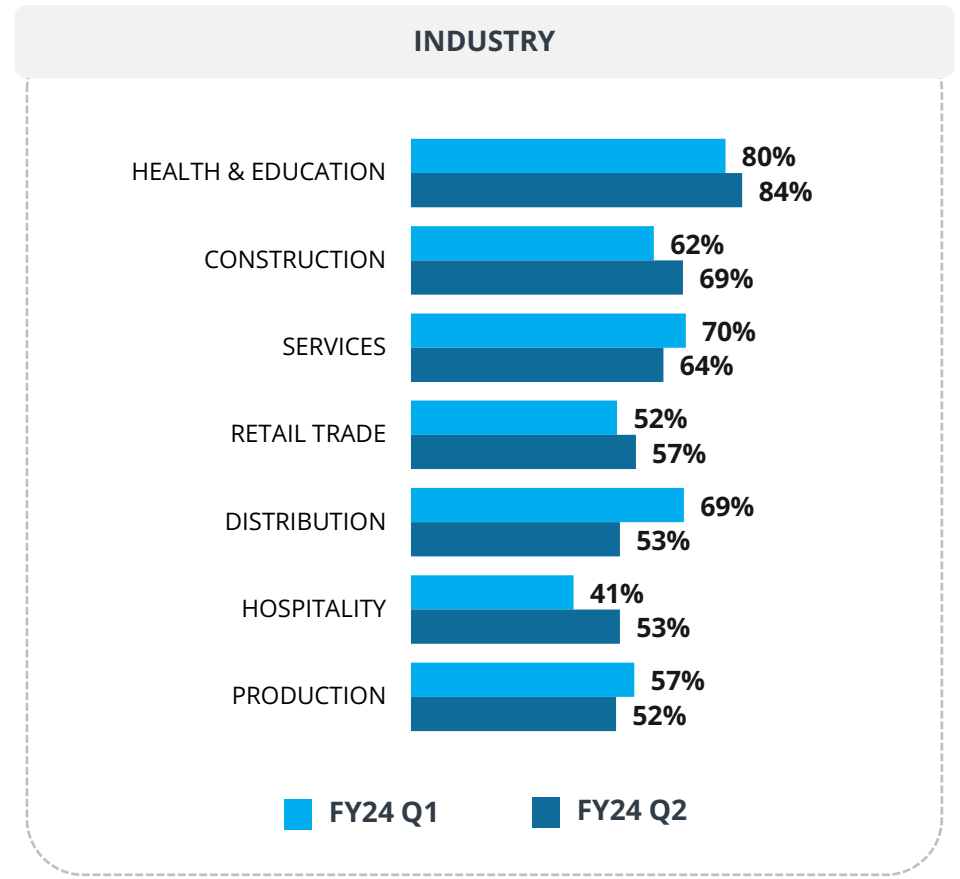
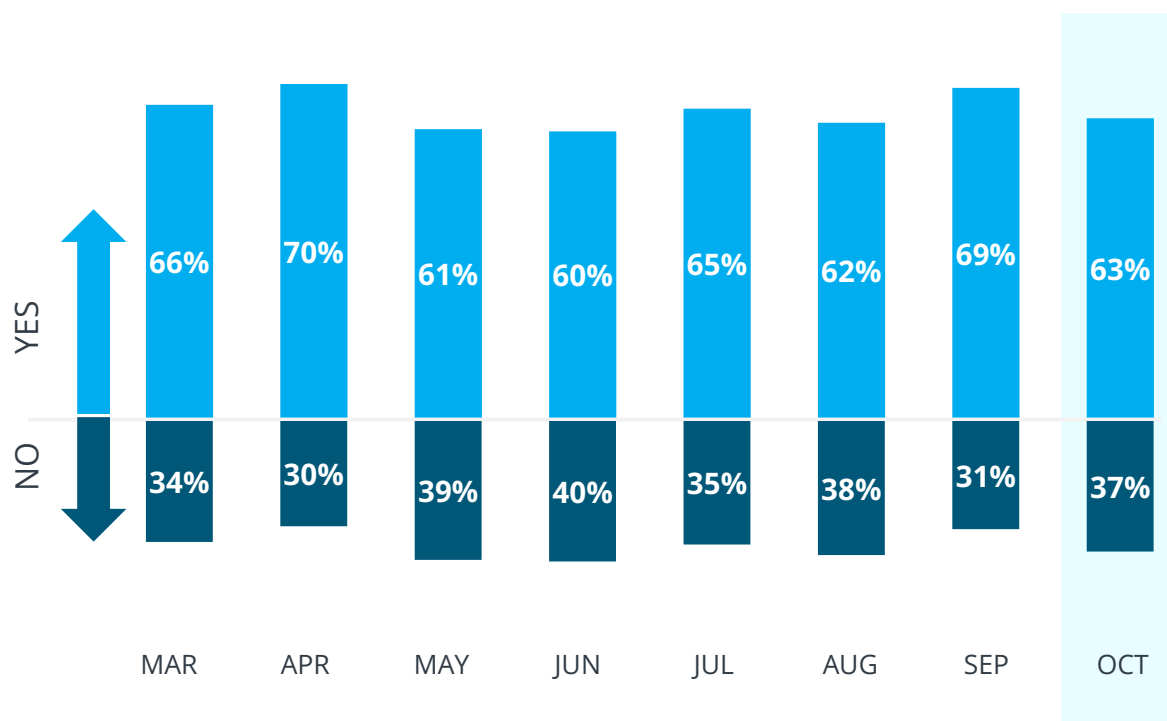
While over a third are concentrating on growth, the proportion expecting to exit or downsize over the next 12 months has also increased suggesting that positivity is not shared equally amongst SMEs.

OVERALL, WHAT BEST DESCRIBES YOUR APPROACH TO BUSINESS OVER THE NEXT 12 MONTHS?



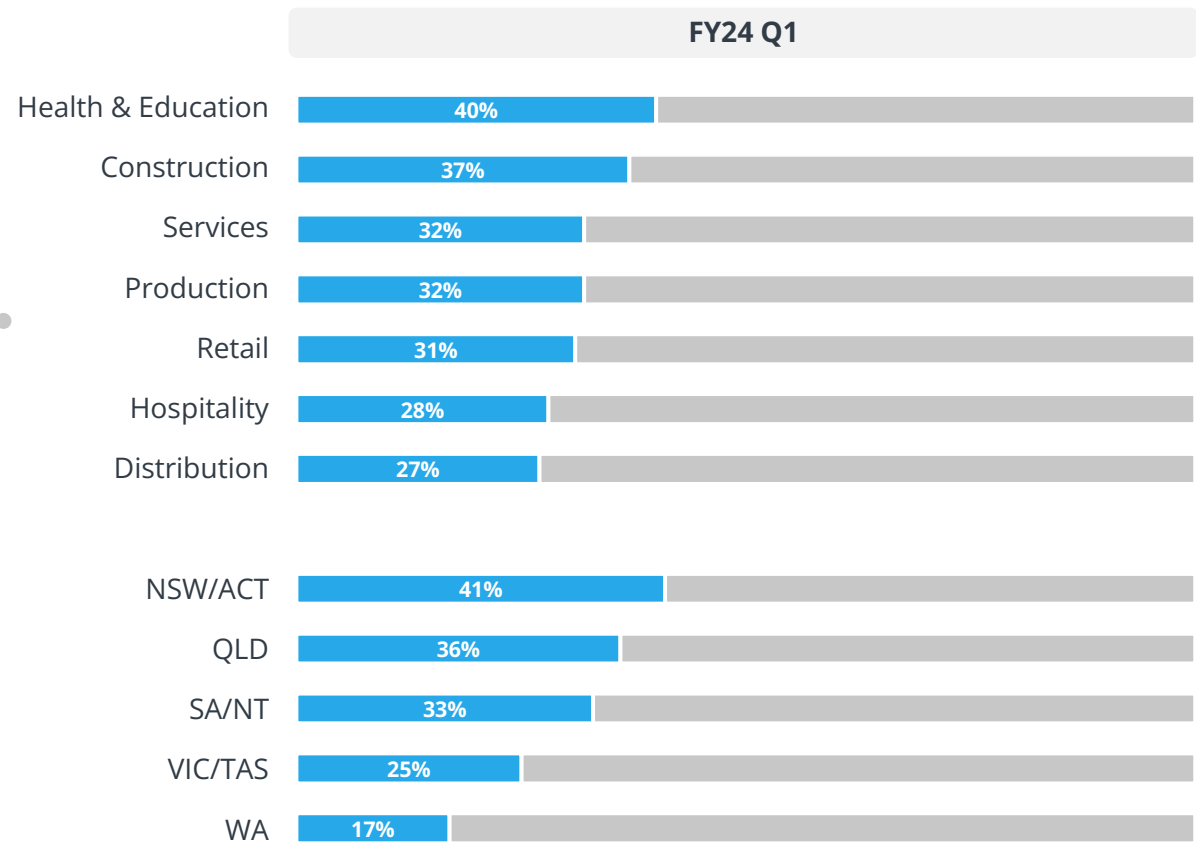
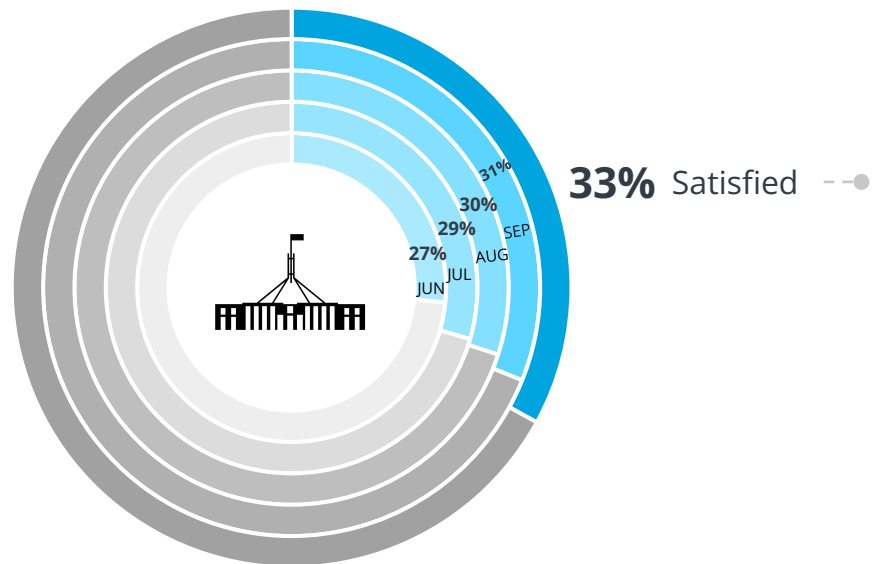
Despite an uptick in profitability, fewer SMEs believe they are prepared to withstand a possible recession over the next 12 months.

DO YOU THINK YOUR BUSINESS IS WELL POSITIONED TO WITHSTAND THE IMPACT OF A POSSIBLE RECESSION IN AUSTRALIA OVER THE NEXT 12 MONTHS?



Satisfaction with the Federal Government continues to trend upwards.

HOW SATISFIED ARE YOU THAT THE FEDERAL GOVERNMENT IS DELIVERING EFFECTIVE POLICIES THAT SUPPORT THE NEEDS OF YOUR BUSINESS?





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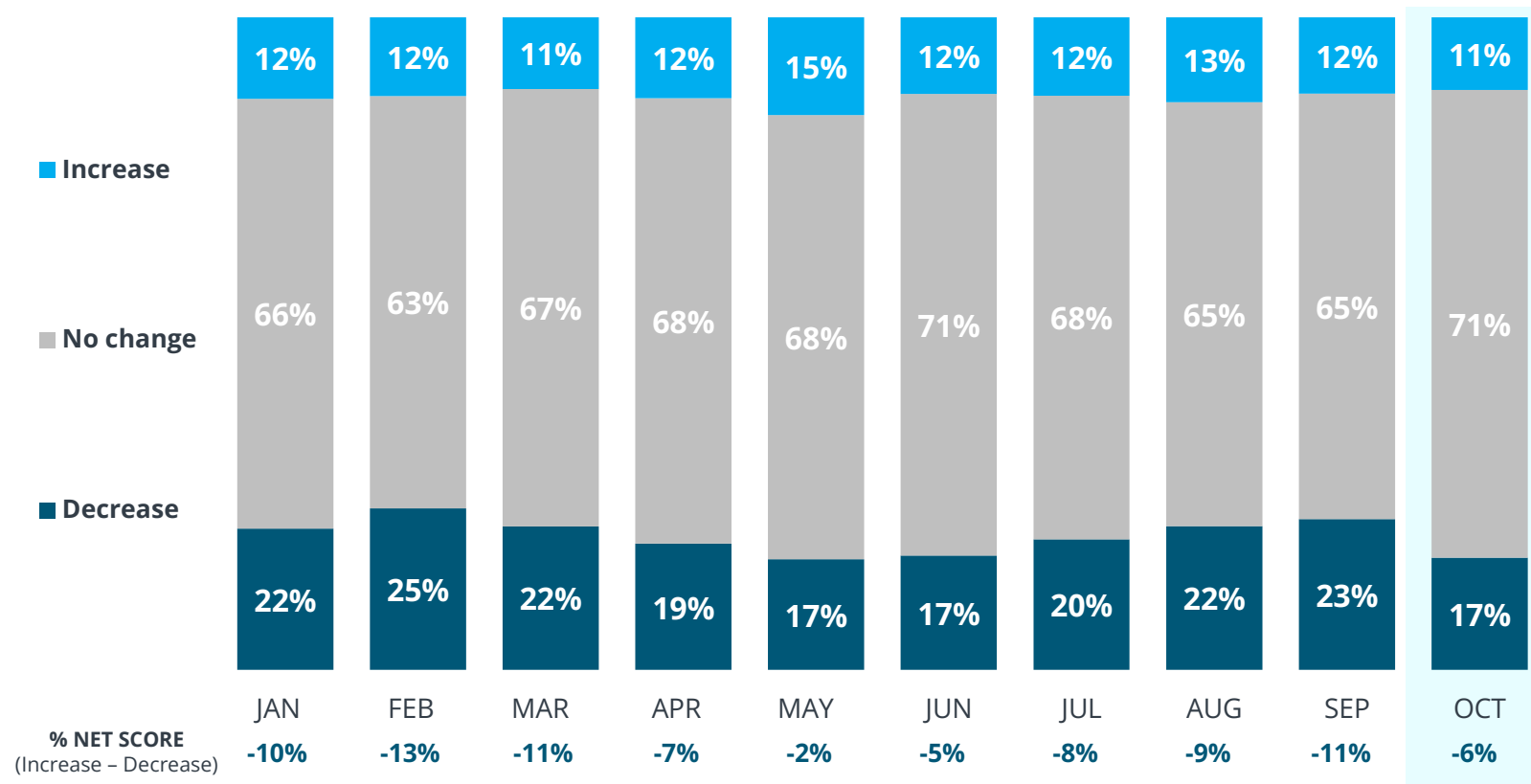
Business Investment

05

Methodology & Sample

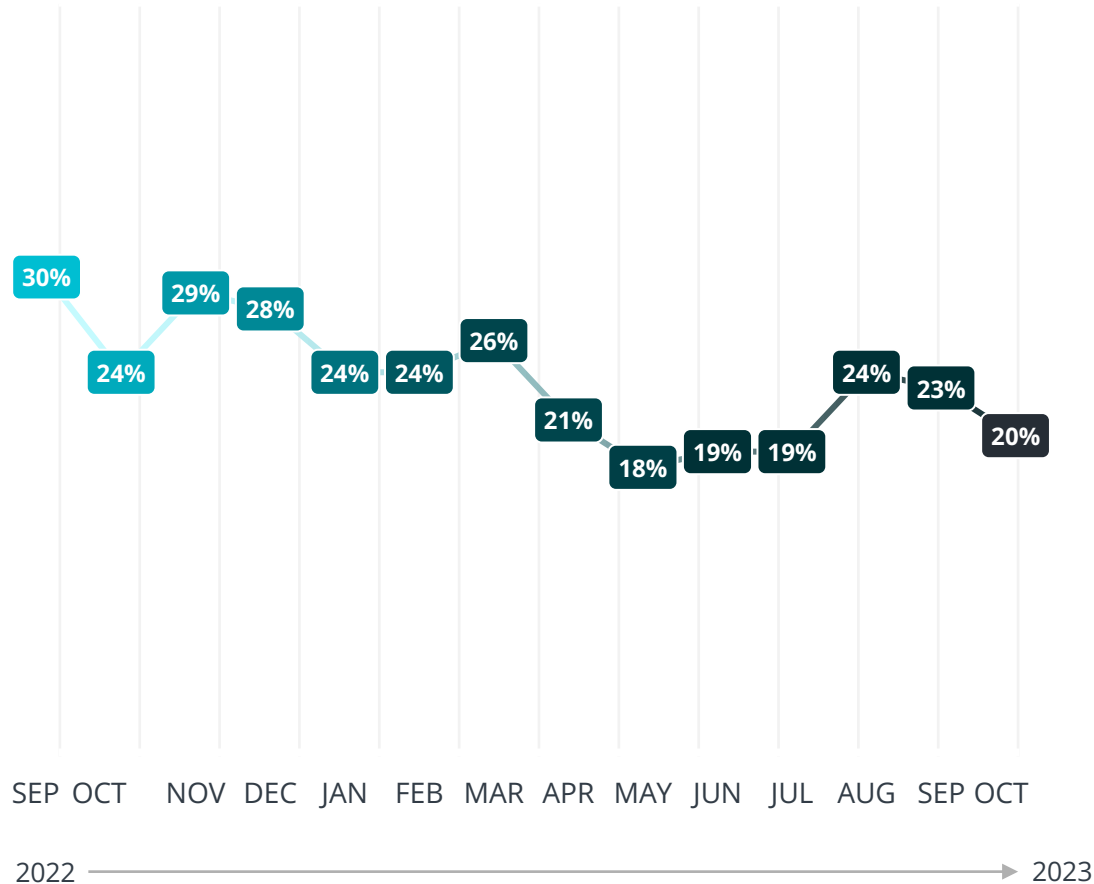
Net employment has improved slightly in October, as businesses prepare for the Christmas period.

CHANGE IN NUMBER OF EMPLOYEES OVER THE LAST 12 MONTHS

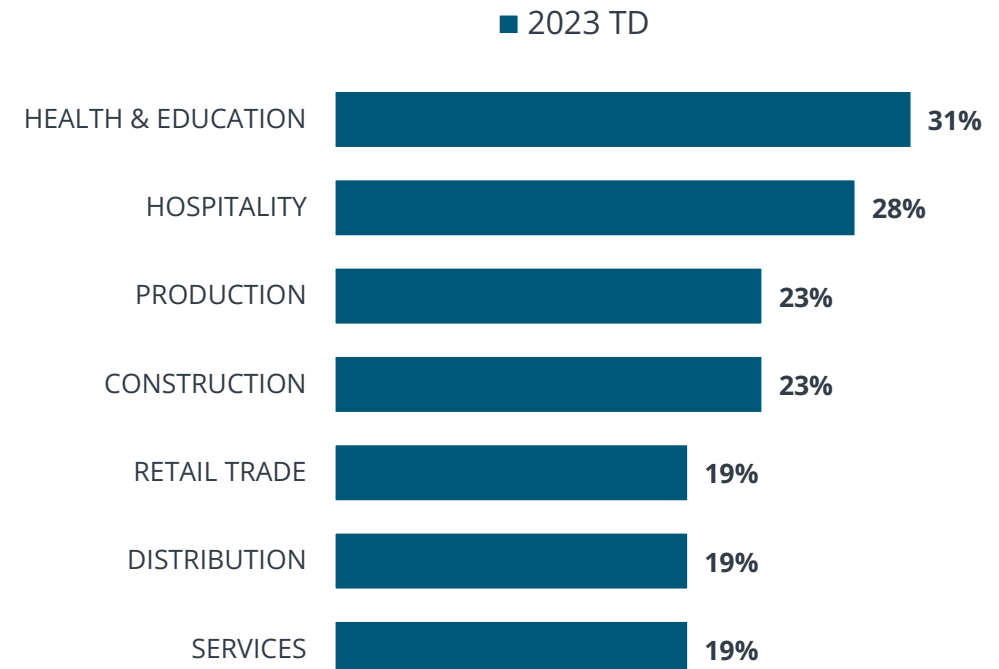


However, recruitment activity has slightly decreased since September and remains down YoY.

SMEs THAT CURRENTLY HAVE JOB ROLES THEY ARE TRYING TO FILL

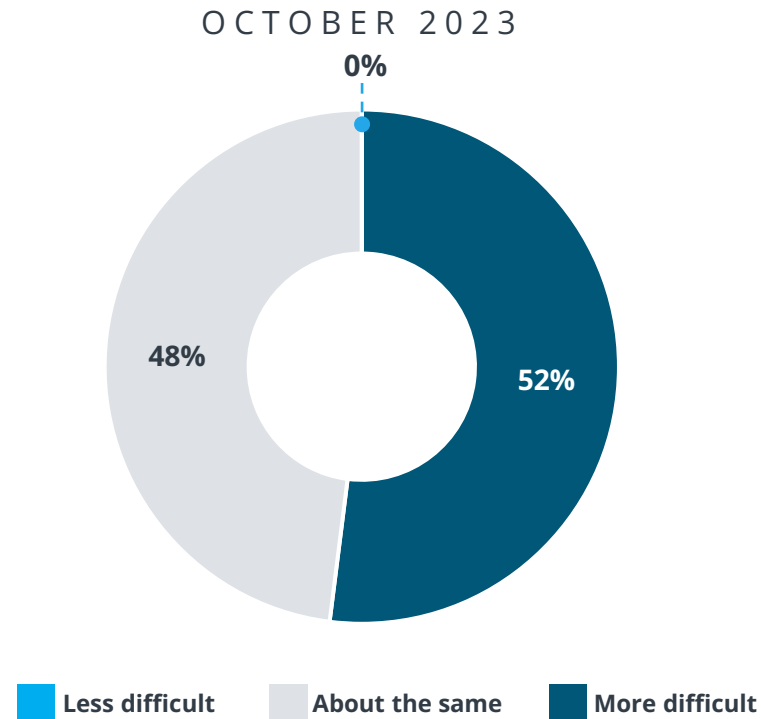


YTD BY INDUSTRY

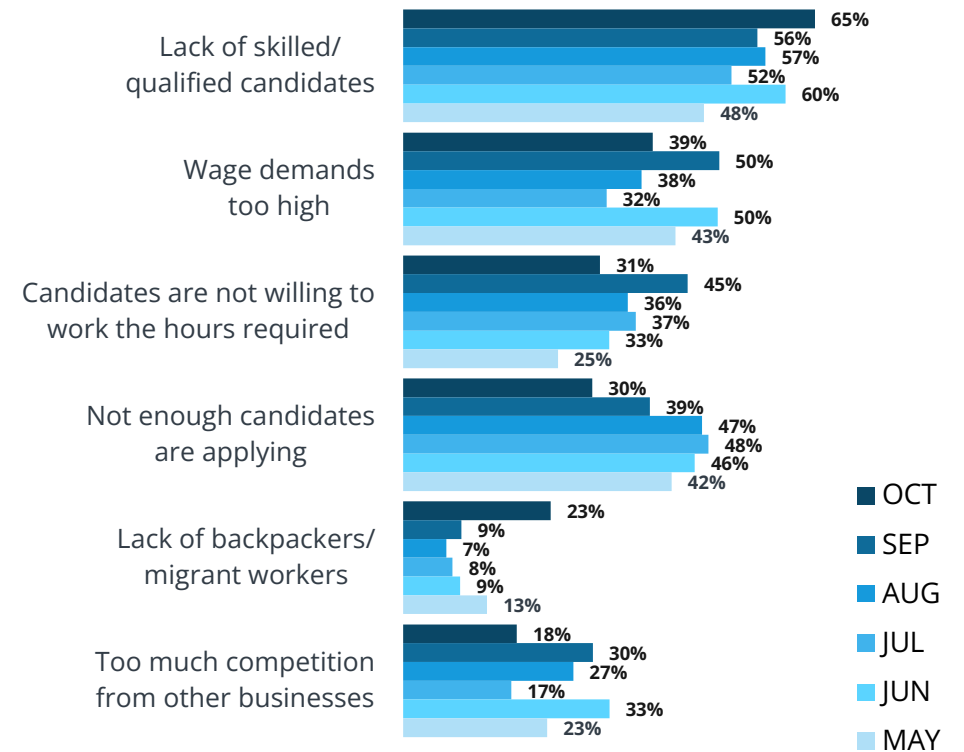


A majority are still reporting that recruitment is more difficult than 12 months ago with a lack of skilled/ qualified candidates an especially significant barrier.

OVERALL, DO YOU THINK IT IS MORE OR LESS DIFFICULT TO FILL ROLES THAN IT WAS 12 MONTHS AGO?



WHY IS IT DIFFICULT TO FILL THESE ROLES?





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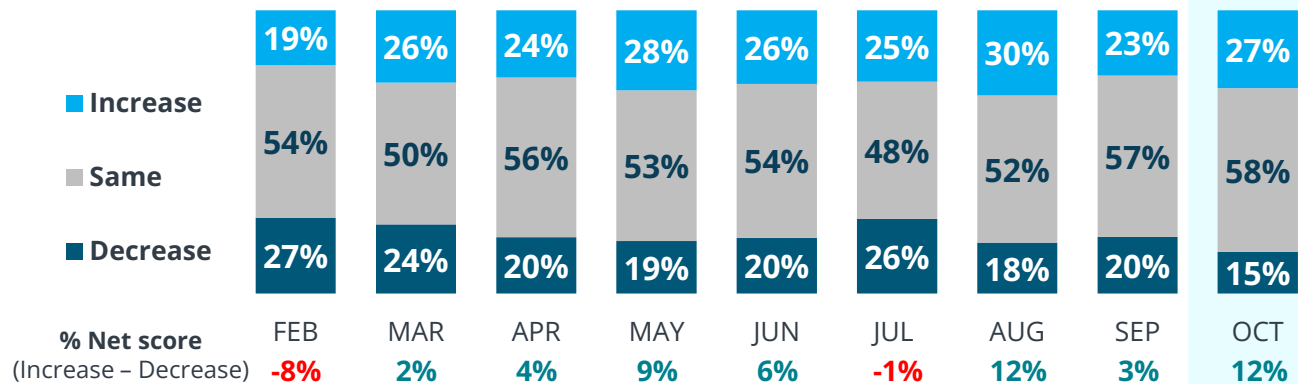
**Methodology &
Sample**

Business Investment | Next Three Months

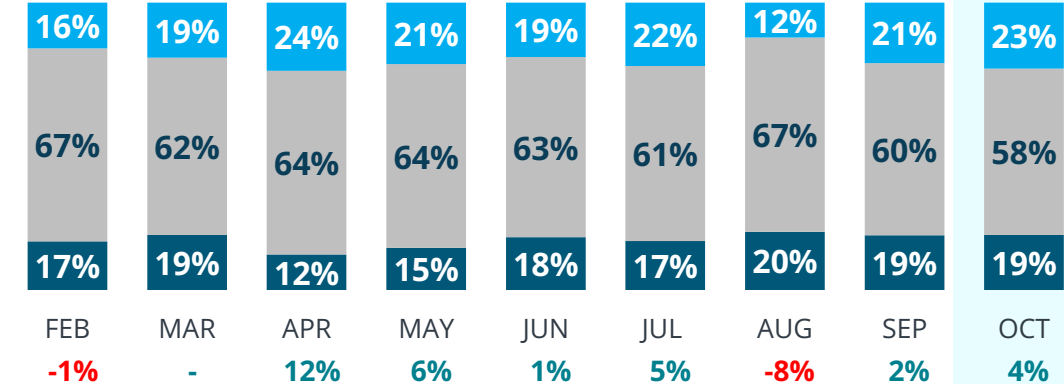
Positive that intended investment over the next 3 months as increased across all categories in October.

EXPECTATIONS OVER THE NEXT 3 MONTHS REGARDING BUSINESS INVESTMENT

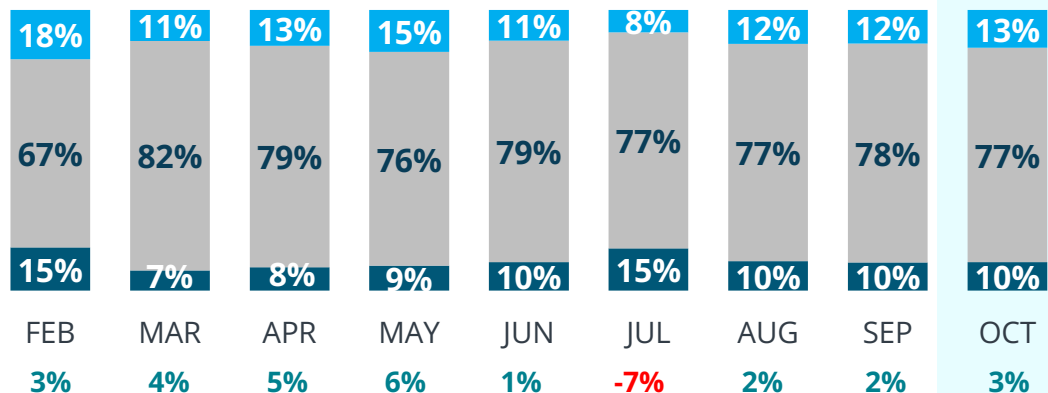
BUSINESS SPENDING/ CAPITAL INVESTMENT



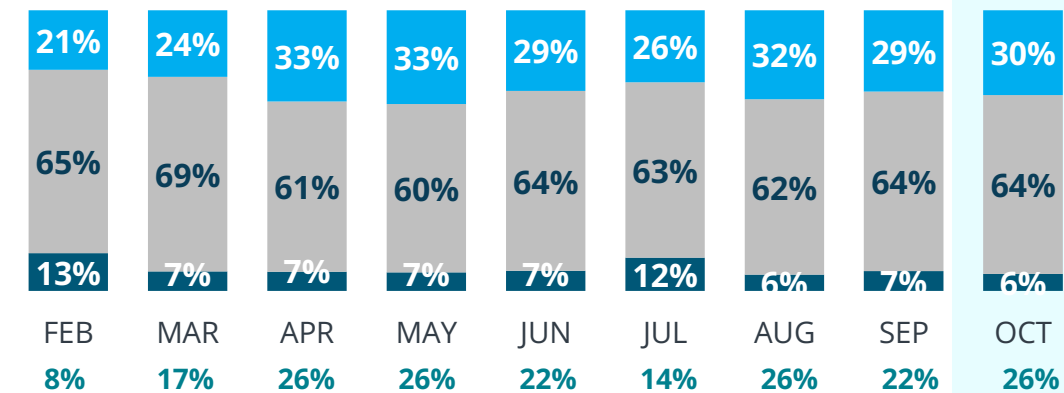
MARKETING SPEND



THE NUMBER OF STAFF YOU EMPLOY



THE WAGES YOU PAY



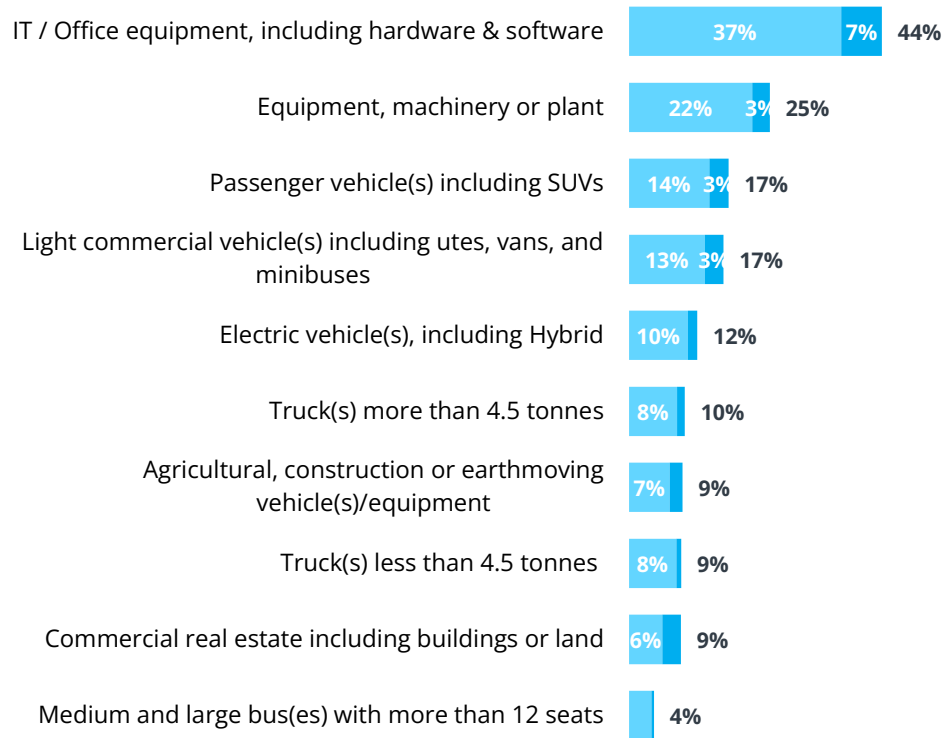
Intended investment in electric and hybrid vehicles spiked again in October.

WHICH OF THE FOLLOWING WILL YOU PURCHASE FOR YOUR BUSINESS OVER THE NEXT 3 MONTHS?

OCTOBER

 Highest in row

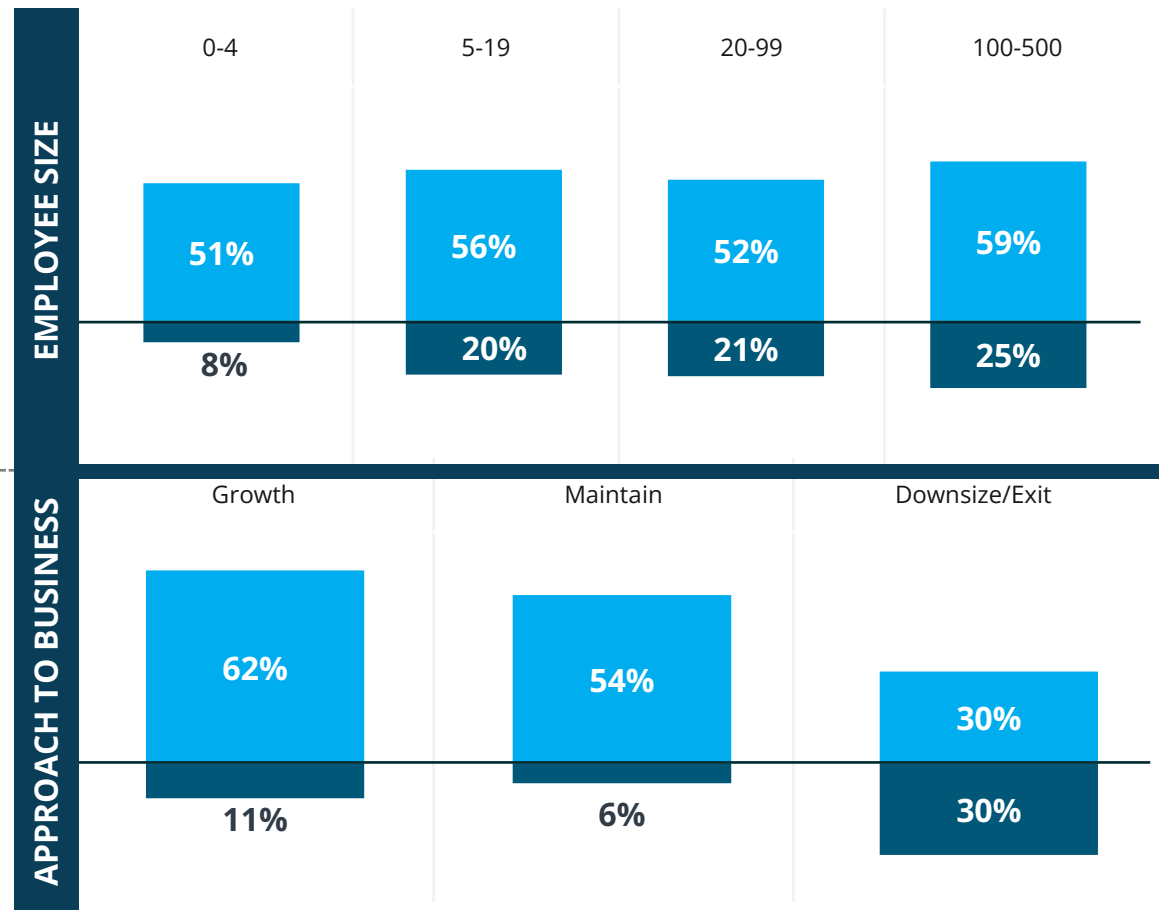
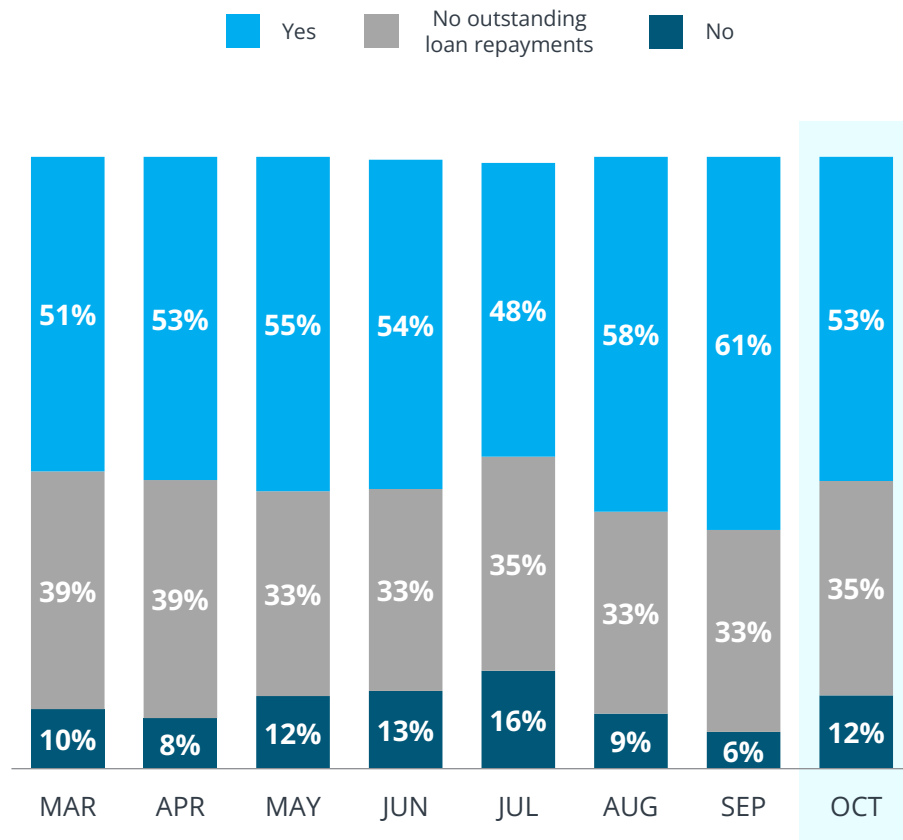
 Probably will  Definitely will



	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24
IT / Office equipment, including hardware & software	47%	46%	48%	44%	44%
Equipment, machinery or plant	16%	17%	14%	17%	18%
Passenger vehicle(s) including SUVs	16%	15%	15%	16%	13%
Light commercial vehicle(s) including utes, vans, and minibuses	13%	16%	11%	14%	13%
Electric vehicle(s), including Hybrid	10%	11%	9%	10%	12%
Truck(s) more than 4.5 tonnes	6%	9%	7%	7%	7%
Agricultural, construction or earthmoving vehicle(s)/equipment	9%	9%	9%	10%	10%
Truck(s) less than 4.5 tonnes	7%	8%	8%	7%	8%
Commercial real estate including buildings or land	10%	11%	9%	10%	7%
Medium and large bus(es) with more than 12 seats	6%	6%	7%	6%	5%

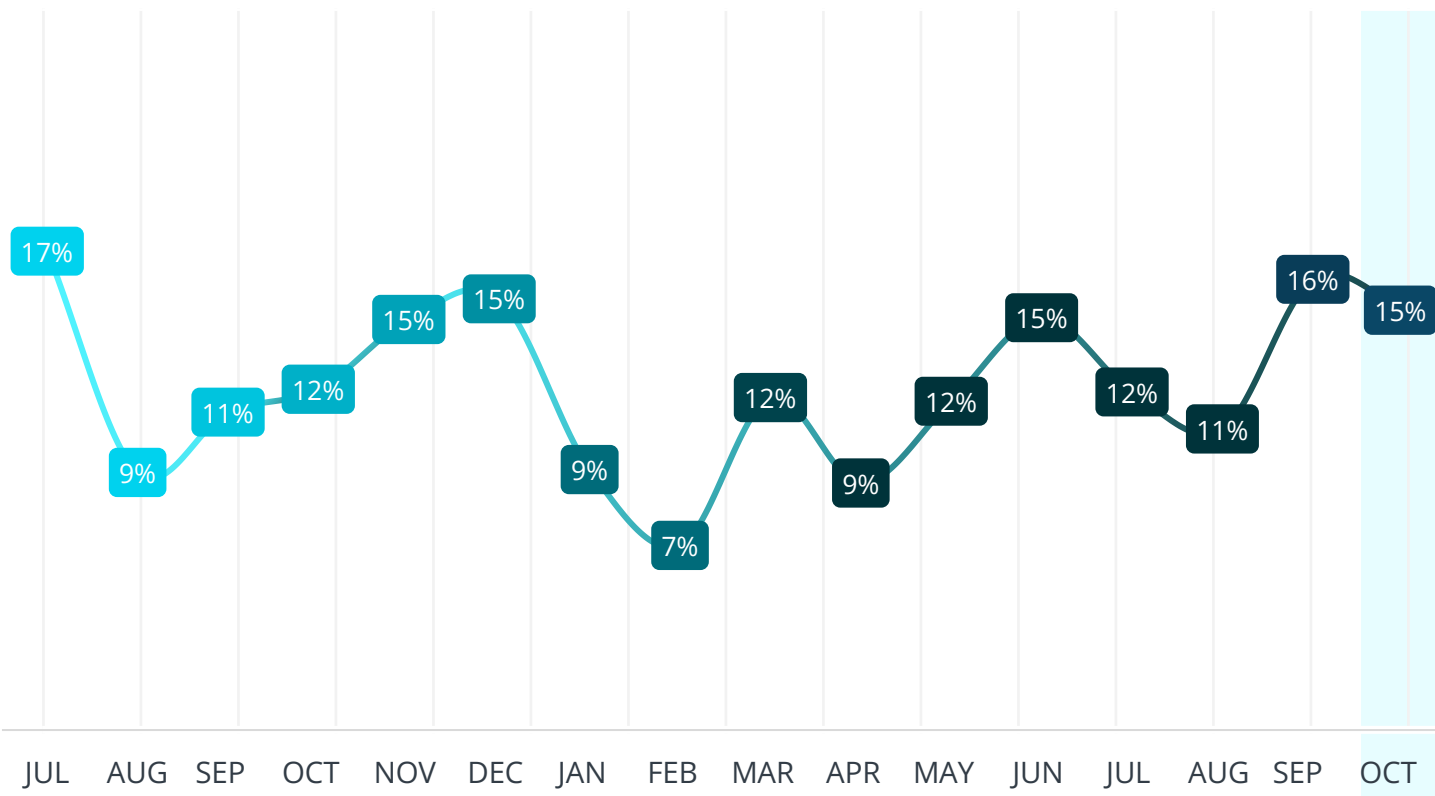
Concern over rising interest rates has resulted in a higher proportion anticipating difficulties meeting their loan repayments over the next 6 months.

DO YOU EXPECT TO BE ABLE TO MEET YOUR LOAN REPAYMENTS OVER THE NEXT 6 MONTHS?

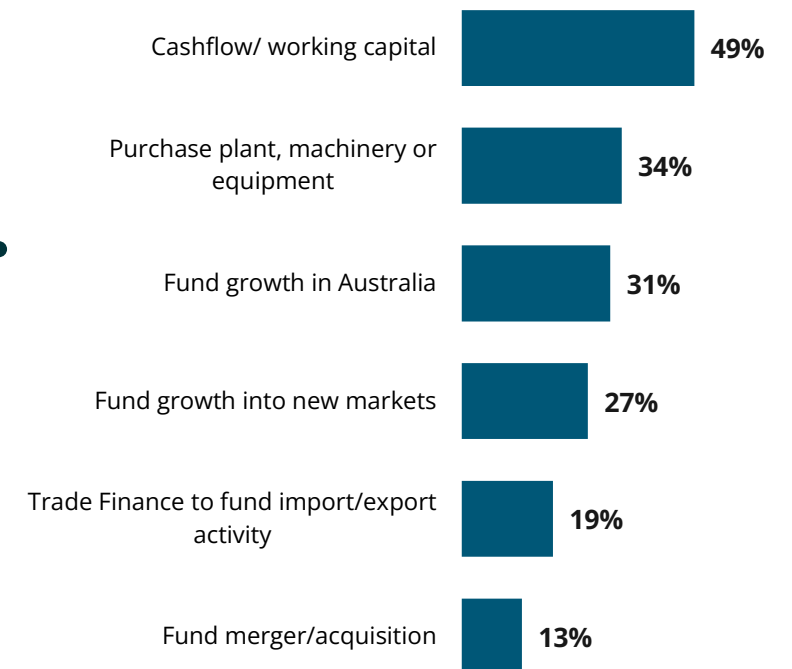


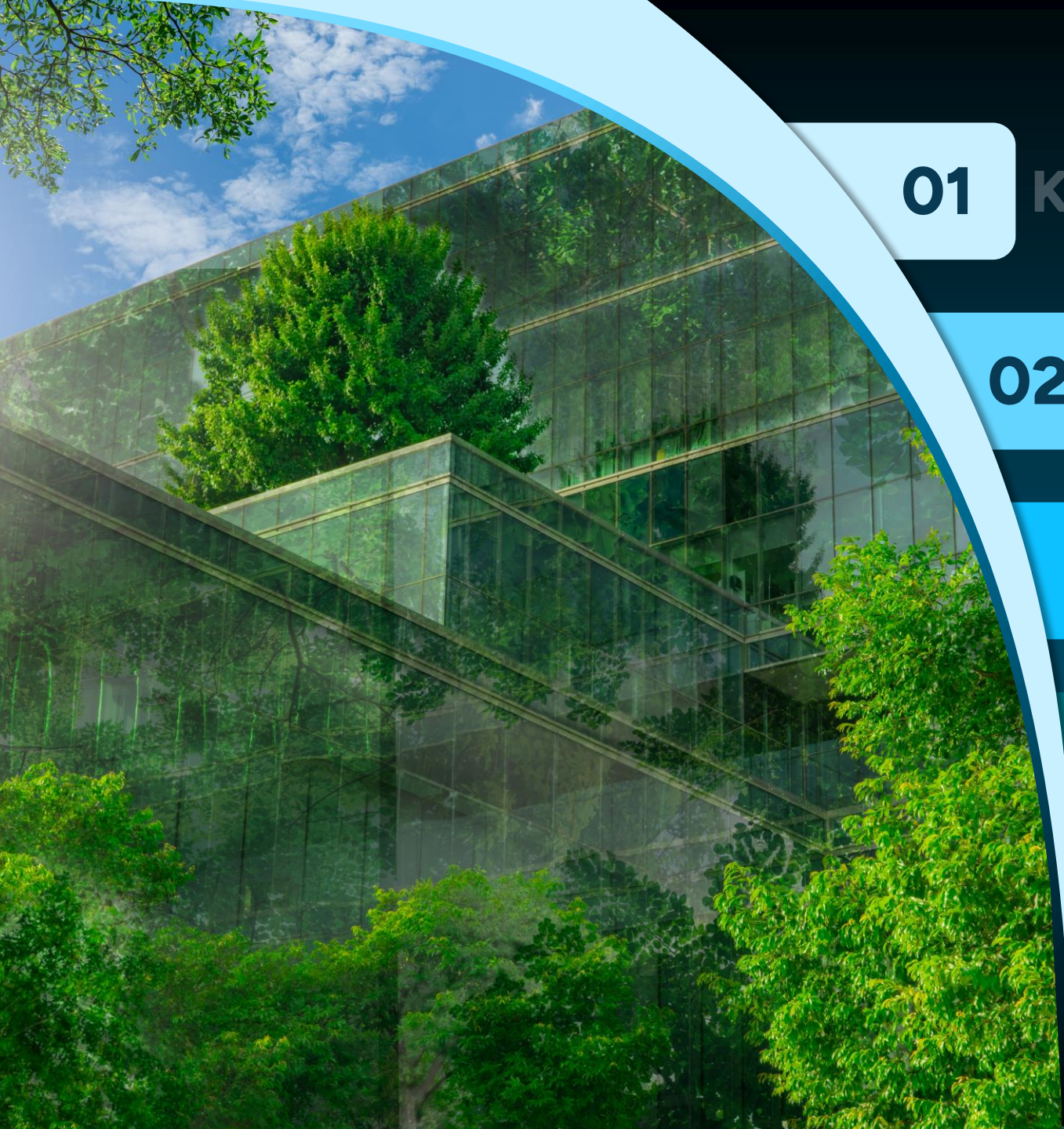
Demand for additional finance remains steady, with high demand for extra funds to support cashflow/working capital.

SMEs THAT WILL REQUIRE ADDITIONAL FINANCE OVER THE NEXT 3 MONTHS



AND WHAT IS THE PURPOSE OF THIS FINANCE?





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**Methodology &
Sample**

The SME Tracker was first launched w/e **5th April 2020**

Monthly waves with a minimum of 400 completed surveys with small and medium businesses with up to 500 employees

All respondents are business owners or financial decision makers/influencers

Use of accredited research panels ensures a consistent sample of the national population across states and territories.



Respondents from across Australia, including **metro and regional** areas



All **industry sectors** are represented, allowing for subgroup analysis

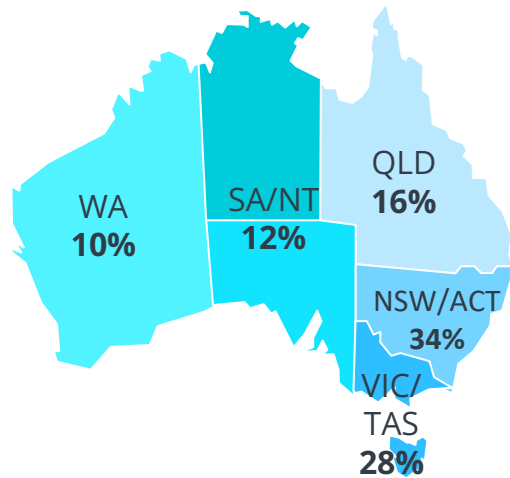


Data is **weighted** by industry, state and number of employees to reflect the national distribution of businesses across the country

Our Sample

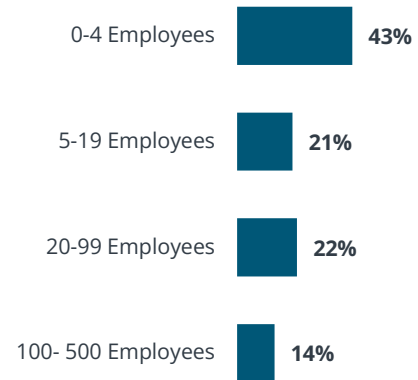
Key decision makers and influencers at SMEs across all states and territories responded to the survey. We target SMEs across all sizes and industry sectors. Data is weighted to reflect the actual distribution by industry, number of employees and state.

HEAD OFFICE LOCATION

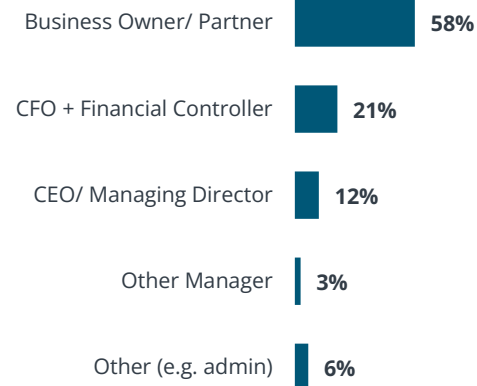


NOTE: CHARTS SHOW UNWEIGHTED DATA

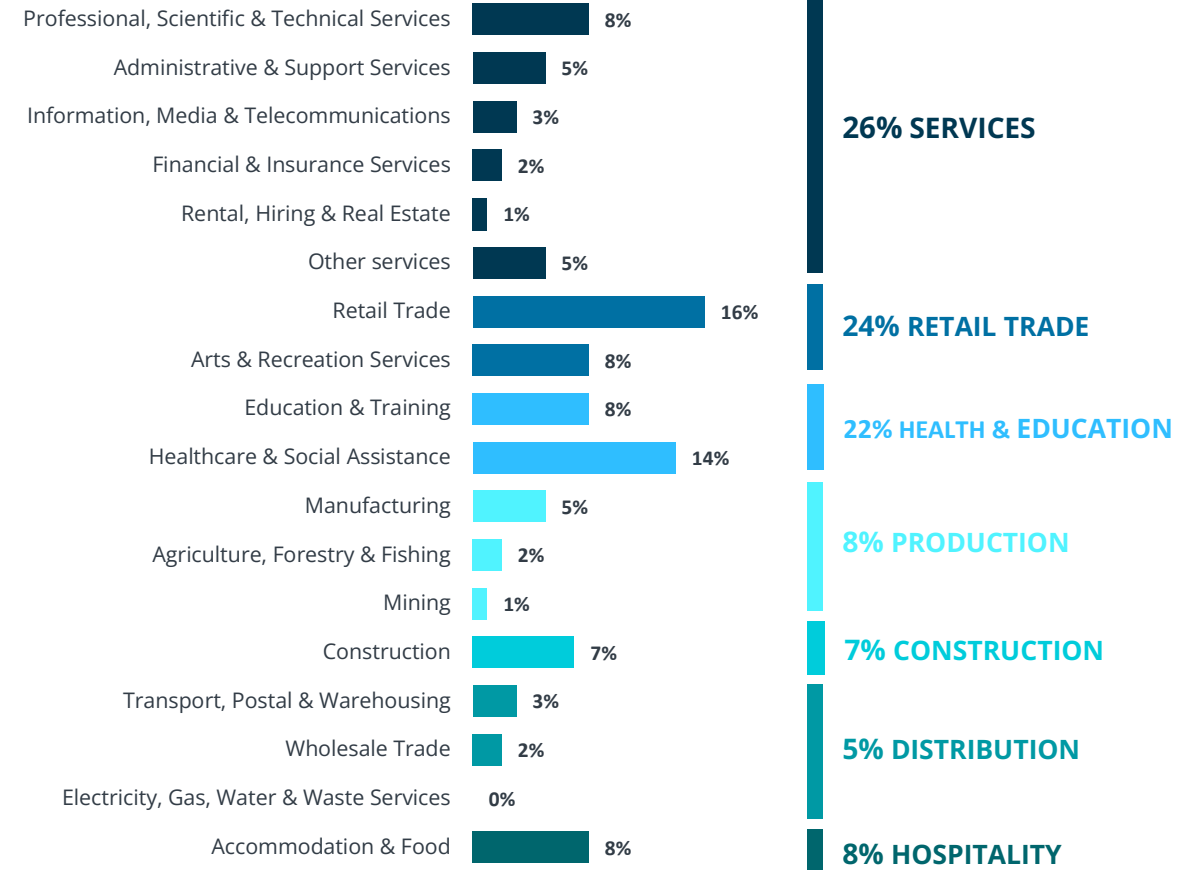
SIZE OF BUSINESS: EMPLOYEES



POSITION IN BUSINESS



INDUSTRY SECTOR



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Thank You

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